

independently of, and at arm's length from the aforesaid garment businesses.

Messrs. Walter Kwok Ping Sheung, Thomas Kwok Ping Kwong, Raymond Kwok Ping Luen and Michael Wong Yick Kam are directors of Sun Hung Kai Properties Limited ("SHKP"). Businesses of SHKP consist of property development and investment. Only in this respect they are regarded to be interested in the relevant Competing Business with the Company.

Messrs. Walter Kwok Ping Sheung, Thomas Kwok Ping Kwong, Raymond Kwok Ping Luen and Michael Wong Yick Kam are directors of Sunevision Holdings Limited ("Sunevision"). Businesses of Sunevision include internet services. Only in this respect they are regarded to be interested in the relevant Competing Business with the Company.

Messrs. Walter Kwok Ping Sheung and Raymond Kwok Ping Luen are directors of The Kowloon Motor Bus Holdings Limited ("KMB"). Businesses of KMB consist of property development and investment. Only in this respect they are regarded to be interested in the relevant Competing Business with the Company.

Mr. Raymond Kwok Ping Luen is a director of SmarTone Telecommunications Holdings Limited ("SmarTone"). Businesses of SmarTone include internet services. Only in this respect he is regarded to be interested in the relevant Competing Business with the Company.

The aforesaid Competing Businesses, in which Messrs. Walter Kwok Ping Sheung, Thomas Kwok Ping Kwong, Raymond Kwok Ping Luen and Michael Wong Yick Kam are regarded to be interested, are managed by publicly

listed companies with independent management and administration. In this respect, coupled with the diligence of its independent non-executive directors and Audit Committee, the Company is capable of carrying on its business independently of, and at arm's length from the said competing businesses.

## CONNECTED TRANSACTIONS

1. As previously reported, the Company, Wing Tai Holdings Limited (a substantial shareholder of the Company and therefore a connected person of the Group as defined under the Listing Rules (the "Connected Person")) together with other unconnected investors entered into various security documents in connection with a loan agreement dated 29th October, 1996 between Union Charm Development Limited ("Union Charm") and certain financial institutions named therein, relating to the provision of an aggregate of HK\$5,037 million of credit facilities to Union Charm for a property development located at the Kowloon Station of the Airport Railway. Subsequent to 31st December, 2000, the loans drawn under the credit facilities were fully repaid out of the available funds of Union Charm and all securities previously given by the Company and others were released.
2. The Company (through a wholly-owned subsidiary) has granted certain loans (the "Shareholders Loans") to Union Charm Development Limited ("Union Charm") in proportion to the Company's equity interest in Union Charm.

The Company has a 7.5% attributable indirect shareholding in Union Charm, held through Avondale Properties Limited ("Avondale"), the beneficial owner of the entire issued ordinary share capital of Union Charm, and Everton Properties Limited ("Everton"), which holds 15% of the issued share capital of Avondale and 15% of the issued participating preference shares of Union Charm. Each of World-Wide Investment Company (Bermuda) Limited ("WWI") and a wholly-owned subsidiary of the Company holds 50% of the issued share capital of Everton.

On 12th March, 2001, Union Charm entered into a loan agreement with The Hongkong & Shanghai Banking Corporation Limited (the "Lender") pursuant to which the Lender has agreed to provide loan facilities for an aggregate amount of HK\$2,950 million to Union Charm (the "Loan Facilities"). The Loan Facilities are primarily for the purpose of refinancing part of the shareholders' loans advanced to Union Charm and The Loan Facilities are for a three-year term and amounts drawn thereunder carry interest at a rate based on the Hong Kong inter-bank offered rate.

As part of the security package for the Loan Facilities, USI, a wholly owned subsidiary thereof and Everton respectively entered into a Deed of Consent and Authorisation (consenting Union Charm executing a Security Deed in favour of the Lender), a Subordination Agreement (subordinating the Shareholders' Loan to the loans made by the Lender under the Loan Facilities) and a Share Mortgage

(mortgaging the Group's shareholding in Union Charm to the Lender) in favour of the Lender. The directors (including the independent non-executive directors) of the Company consider that the Loan Facilities have been granted on normal commercial terms.

3. As previously reported, Joy Alliance Limited ("Joy Alliance") and Bostar Limited ("Bostar") entered into a Loan Agreement with Hang Seng Bank Limited (the "Bank") under which the Bank provided loan facilities to Joy Alliance and Bostar for an amount up to HK\$143.01 million for a term of three years commencing 31st May, 1999 ("Loan Facilities") to finance the Kowloon Tong redevelopment project. The Company indirectly owns 87.5% interests in each of Joy Alliance and Bostar, the remaining 12.5% interests are owned by King Begonia Limited, a company which is incorporated in Hong Kong. As a condition of the Loan Facilities, the Company granted a guarantee (the "Guarantee") in favour of the Bank to secure in full the payment obligations of both Joy Alliance and Bostar under the Loan Facilities. The granting of the Guarantee constituted a connected transaction of the Company as King Begonia Limited was a Connected Person by virtue of it being a substantial shareholder in Joy Alliance and Bostar.

On 15th March, 2001, Joy Alliance and Bostar further entered into a Supplement to Loan Agreement with the Bank pursuant to which the Bank has agreed to increase the amount of the Loan Facilities from HK\$143.01 million to HK\$166.01 million. In this

connection, the Company as required by the term of the Supplement to Loan Agreement, entered into a Supplement to Guarantee in favour of the Bank to provide additional guarantee to cover to the extent that the liabilities of Joy Alliance and Bostar under the amended Loan Facilities.

The directors of the Company, including the independent non-executive directors, believe that the terms of the above transactions are fair and reasonable, are in the interests of the Group, and were concluded on normal commercial terms in the ordinary and usual course of business of the Group.

### MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2000, the aggregate purchases and turnover attributable to the Group's five largest suppliers and customers were less than 30% of the total value of the Group's purchases and turnover respectively.

### PRACTICE NOTE 19 TO THE LISTING RULES

As at 31st December, 2000, the aggregate amount of financial assistance provided to and guarantees given for affiliated companies by the Group amounted to HK\$577.4 million and represented approximately 47.4% of the net asset value of the Group.

A pro-forma combined balance sheet of these affiliated companies and the Group's attributable interest in these affiliated companies as at 31st December, 2000 are presented below.

(HK\$m)	Pro-forma combined balance sheet	Group's attributable interest
Non-current assets	6,029.8	575.1
Current assets	342.5	97.0
Current liabilities	(667.9)	(124.4)
Non-current liabilities	(5,917.7)	(609.3)
Net liabilities	(213.3)	(61.6)

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws although there is no restriction against such rights under the laws in Bermuda.

### AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditors of the Company.

On behalf of the Board

**Christopher Cheng Wai Chee**

*Chairman*

Hong Kong, 9th April, 2001